



The Call for Civic Leadership

IT is easy to theorize about "the point of greatest weakness" in our governmental system. Thus we discuss local, state, or national areas. Or we draw comparisons as to legislative, executive, and judicial functions. But the spot—not "hot" but icy cold—to which all other discussions lead, is the old problem of civic leadership.

"We are looking for a Moses in our town," says letter after letter, week after week. Two metropolitan cities, whose progressive records are universally accepted and approved, just now show the tragic loss due to resignation or death of real leaders. While the need is always acute in official positions of every sort, it comes to a climax among those citizen groups dependent solely on the sacrificial services of men whose motive is unselfish and whose rewards more often are unfair criticism than deserved recognition.

Average American citizens evidently are too prone to commit the sin of which all politicians are assumed to be guilty—"passing the buck". Evasion of responsibility by the man in public office in most cases may be traced directly back to the evasions of those who pay the taxes but fail to vote. Leadership would be more spontaneously and fre-

quently furnished if there were more promise of more men and women to follow the leader. Nobody wants to lead in a vacuum—that sort of thing just makes a "goat" out of the leader!

We cannot forget the comparison which holds that in England "the flower of youth goes into the public service, in America it is absorbed by business pursuits, for financial profit." Account for this or explain it as one may, it goes to the root of our problem: We are a comparatively young nation whose people still judge life and its values largely in terms economic.

But how foolishly inconsistent is such an attitude, and how lacking in thoughtful analysis. All government costs money to operate. In these days there is much protest against the costs of government. If those who pay the costs would just follow their money with their personal interest and intelligent action, those costs might be greatly reduced; we might get more services for our tax dollar.

And this means that from the financial standpoint alone we, the people, in our own selfish interest, ought to produce more citizen action and far more effective leadership, official and unofficial. The alternative is to go on assum-

ing the inevitability of political waste and graft, and the necessity of buying expensively whatever we can, without bothering ourselves as to our own personal responsibilities in government.

Fortunately the examples of the better way, amounting to demonstrations, are all about us. Good, economical government is on the up-grade; the other kinds, like human slavery and duelling, are going out of fashion. Our difficulty is the excessive burdens borne by the few leaders, and the consequent task of enlisting more men and women in positions of leadership.

A recent writer says with truth: "The great trouble with American cities is that administration is at least twenty years ahead of political organization." It is in this hard field of personnel, called "political" because it requires more or less controversy as a preliminary to decisions on policy, that civic leadership is most needed and hardest to get. We like to believe, with the writer quoted above, that "the time may come in this country when we shall give to civil service the respect which in our foolish past was reserved only for the making of quick money."

W. P. L.

The Next Step

AN EMINENT British authority on public administration, commenting privately on the difference between American and British experience, recently paid high tribute to the research spirit in America.

"I am always very much worried at the lack of clear thinking in public affairs here and the failure of our government or our leading people to demand or to study the best available information. Not only do we hardly bother our heads about the study of psychology in this country, but we have almost no research into practical economics or politics. Nobody is willing to pay for it and nobody seems to want it.

"In spite of all this, we do seem to muddle through rather well; we have got a good national civil service and a passable local one. Of course, we have the advantage that our habit of not doing things logically and our luck in not being a federal state saved us from the disasters of your written constitution. Still, it is curious that you, who do so much more realistic thinking in

public affairs, should on the whole do the job worse."

The observation is particularly interesting when it is considered that we are spending millions upon research but very little to make that research effective or to translate the results of research to the public. After all, in a democracy the gap between what the expert knows and what the public knows must not become too great. If it does, either democracy disappears or the expert disappears. Or both!

Research in political science, after all, is a bit different from research in the physical sciences, not only as to method but as to utilization of results. In the one instance, a few highly trained specialists apply the new principle discovered; in the other, millions of citizens may participate in the process of application. It seems not unlikely that popular education as to the results of research in government may hold the key to wider application so that we who know more about our jobs may do as well as the British who know less but do better!

Social Security Program Assured

WITH the enactment by the United States Senate last month of the Social Security Bill, the first major attack on the twin problem of lessening the impact of future depressions and providing a limited amount of security for all our citizens became an assured reality. The bill has gone to conference, having been previously passed by the House, for details to be ironed out.

In brief, the bill is simply an inducement to states to act. It appropriates \$4,000,000 for the fiscal year just begun and \$49,000,000 for each succeeding year, to be allocated among the states in the form of subsidies for the administration of such unemployment insurance laws as they may enact. It also establishes a system of federal subsidies to the states for old age pensions—\$49,750,000 for the fiscal year 1936 and such amounts as may be necessary

in succeeding years. Making certain that the states play ball to finance the first program, there is a federal excise tax imposed upon the total payroll of each employer engaging four or more workers. This tax is 1 per cent for 1936, 2 per cent for 1937 and 3 per cent for each succeeding year. The old age pension program will be financed partly by employers' and partly by employees' contributions.

The program's cost is explained in greater detail by Dr. Joseph P. Harris, Assistant Director of the Committee on Social Security, in an article in this issue. Needless to say, its possibilities and implications are tremendous. From the purely procedural standpoint, it follows the precedent of the great federal aid for highway program and others modelled after it.

H. P. J.

POLITICS LAGS BEHIND ADMINISTRATION

I put in several fascinating hours recently with a group of men whose business it is to study city government. Listening to them was like listening to explorers returned from Mars. I had thought I knew something about cities—my own in particular—but I now know that I don't.

The real work of city government goes on beneath the surface, performed by experts who get—and want—no publicity. The lime-light is confined to unimportant figureheads.

The great trouble with American cities is that administration is at least twenty years ahead of political organization. A water system, for example, may function with great technical efficiency,

yet be burdened with a method of electing officials and distributing patronage which is pure feudalism.

The time may be coming in this country when we shall give to civil service the respect which in our foolish past was reserved only for the making of quick money. This may be only wishful thinking on my part, but little things, here and there, make me think that it may be so.

HOWARD VINCENT O'BRIEN

Editorial Staff,

The Chicago Daily News

From an editorial appearing
in *Public Management*,
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Who's Who in This Issue of the Review

John Bauer, Director of the American Public Utilities Bureau, is economic consultant to many utility commissions, a former assistant professor of economics at Princeton University, and author of numerous studies on economics and public utilities.

Luther Gulick, Director of the Institute of Public Administration, and Eaton Professor of Municipal Science and Administration at Columbia University, is counsel to the research staffs of the legislative commissions of several states. He is an author and lecturer of distinction.

Oswald W. Knauth, as Chairman of New York's City's Emergency Relief Bureau, has had ample opportunity to learn of relief problems. He is President of the Board of Directors of the National Bureau of Economic

Research, and a former assistant professor of economics at Princeton University.

Henry Reining, Jr., is an instructor in politics at Princeton University. He was formerly on the staff of the University of Southern California.

Roland R. Renne has recently finished a three-year survey of county efficiency in Montana, which is to form the basis of a proposed program of county reconstruction in the state. He is an agricultural economist at Montana State College.

Joseph P. Harris was until recently Assistant Director of the Committee on Social Security at Washington. He has just been appointed Director of Research of the Committee on Public Administration of the Social Science Research Council.

An Open Letter

Mr. C. A. Crosser, Secretary
Bureau of Municipal Research,
Des Moines, Ia.

Dear Mr. Crosser:

I was interested in your letter relative to tax limits appearing on page 240 of the April, 1935, NATIONAL MUNICIPAL REVIEW. Of course I do not know what the situation is in Iowa, but it seems to me that your comments are not entirely applicable in Wisconsin.

The League of Wisconsin Municipalities has for many years recognized the advisability of shifting some of the cost of local government from real estate to other forms of taxation.

In our fight before the legislature for additional state-collected, locally-shared revenues we have not received in the past any coöperation from the real estate groups which are now fighting for tax limitation.

Neither have we received any help from these groups when we have attempted in the past to head off the repeated efforts of the state legislature to impose additional burdens on local government without giving them

the money to pay for these increased duties. I think that now our legislature is beginning to recognize that it is very unfair for the state to continue to boast that it levies no state tax simply by passing laws which require the local units to pay the cost of administering the law, such as the old-age pension law.

Our League has never opposed the right of citizens to control the amount of general property tax levies. It is very unscientific to do this on a state-wide basis. If the citizens of any city or village desire to impose a mill tax limit locally, we certainly would not oppose it. In fact, it was our League which was responsible for the adoption of the home rule amendment to the state constitution under which the citizens of any city or village may proceed by petition and referendum to impose any tax they desire locally, whether it be in terms of mills or dollars or what not.

Frederick N. MacMillin

Executive Secretary, League of Wisconsin
Municipalities

The Citizen's Duty Toward Relief

Normal business employment the only cure for relief problem. Citizens must create conditions to make jobs available in industry

OSWALD W. KNAUTH

Chairman, Emergency Relief Bureau, New York City

RELIEF work is always, from its very nature, critical. It only enters when there is a crisis. If there were no crisis, it would not exist. We can never plan ahead adequately for relief because we do not know just what to plan for. Relief work is always in a hurry, for it must meet an ever-changing crisis as the changes occur. It has always been, and probably always must be, incapable of meeting the situation in a fully acceptable manner, for it is stop-gap work and not planned work. It just has to do the best possible, under all the existing limitations.

Hence, relief is easy to attack from almost any angle, and very difficult to do in a manner really satisfactory either to oneself or to the community. It is easy to take the attitude of a chronic complainer, and it is this very ease which makes so many of them and makes them so vociferous. Let there be no blinking the fact, many of the criticisms are well founded, but, they are inevitable in any relief set-up. We in the Emergency Relief Bureau realize that very well, and we ourselves have discovered and corrected many other points which somehow seem to have escaped the eagle eye of all our outside critics.

It is just because I appreciate the value and necessity of outside criticism that I want for a moment to turn critic, myself, and lodge a few complaints of

my own. When the depression first struck this country the citizens rose to meet the emergency with laudable unity and with fine results. A great proportion of those who had jobs or who had some private means recognized their full duty to help their less fortunate brothers and sisters. As long as these private drives were continued this united community interest was maintained. But, when the problem became too big for private support, and the government took over the administration of relief, the public attitude changed almost over night. The results have been unfortunate. Never before has there been so great a need for public interest and full citizen coöperation.

It is not necessary to emphasize how unfortunate this public apathy really is. We all have friends who, on election day, would rather play golf than cast a ballot; who would rather play bridge than be troubled with any concern over civic affairs; and it is these very people, who are too busy with recreation to do their full duty as citizens, who generally complain the loudest when anything goes wrong.

This job of relief is too big and too important to be delegated to others. It requires the intelligent coöperation of every citizen. The citizen who does not work with us, first, to increase the efficiency of relief, and secondly, to end the necessity for relief, is a slacker.

The Relief Bureau is the agent of the city, the state and the nation in dispensing relief to those who are in need and conversely, of course, it is our responsibility to see that those who do not need relief do not get it. In a single sentence, this is our final problem. We are not primarily an employment agency and we are not primarily a job-finding agency. We have undertaken, in addition to giving direct relief, a certain amount of work relief and it is this work which the federal government is about to take over and expand. Such work as we have done has been strictly limited by our monthly resources.

So much for the simple side of our problem. What makes it complicated is its vast size and the effect of this vastness on the community. When you have one-fifth of the population on relief, it means that they are living off the surplus of the other four-fifths. This is a drain on the industry of the country comparable to the drain in time of war. It means that our population is divided into two classes, four-fifths of whom are independent and one-fifth of whom, without work on their part, are dependent on the others.

Now our economic and social system does not contemplate two such classes and the problem before you, as citizens, is how you can fit our system to meet this situation. With such a large proportion of the community dependent on the rest, isolation becomes impossible. You cannot create a vacuum in which they would exist separately and not affect the entire system. The condition permeates our entire community. The problem, then, is not one for the social worker; it is one for the social scientist and social adjuster.

It is the secondary and tertiary effects of everything we do that is important. How much relief should be given to those who are without a job? Our answer has been a bare existence;

and even this has strained the resources of those who are independent. But the effects do not stop here. When one-fifth of the population has a bare subsistence, there is a resultant effect on the stability of the industry that supports them. There is less purchasing power, so that retailers and suppliers must adjust themselves at the very time when they are being taxed.

Take the situation with regard to rents. It has been considered that food and lodging are the primary necessities and we make allowance for rent at a low rate. This rate, indeed, is so low that landlords in many cases are unable to meet their expenses, plus their mortgages, plus their taxes—the very taxes that provide us with the money to give relief. We have a citizens' committee, composed of prominent and practical men familiar with the situation, studying this problem and I hope the committee will tell us how best to meet it. What I want to point out here is the effect on the community of everything that we do.

WORK RELIEF

Take again the problem of wages in our works division. We pay at the "going rate", but we limit the amount that can be earned in any month. The reason for paying the "going rate" is that it is considered that anything less will tend to reduce competitive wages and therefore affect the economic system as a whole. I shall revert to this in another connection shortly after, but the result of the many changes in working crews due to our staggering of the men at work is inefficiency. You cannot have a system whose main object it is to create relief work and have it normally efficient at the same time. It would be fine, but it is impossible.

Of course, the selection of the projects which we undertake also is affected by the existing system. We must not

undertake works which would normally be undertaken, for then we would be throwing out of employment those who have jobs in a normal way. We must also select such works as expend a large proportion on direct labor and a small proportion on materials. It must also be simple work, for anything complex would require a degree of supervision which would be costly.

All of this limits greatly the type of things that we can do, for they are chosen in order to create work for the purpose of relief and only secondarily in order to leave some benefit to the community as a whole.

In the sense that they provide work, thus keeping normal skill at a fairly high level and, at the same time, bolstering a morale that has been shell-shocked by months and years of depression-induced idleness, these relief jobs are better than home relief. Furthermore, by resulting in some measure of physical improvement to civic works such as parks, streets, bridges, and sewers, they are also preferable to home relief, for home relief is an expenditure by the community without any return whatsoever.

HOME RELIEF

The system which we are creating and trying to perfect in regard to the selection of home relief is dominated by the desire to make it easy to place people in normal work. To this end we are perfecting a close coöperation with the state department of labor whereby it will take over from us the occupational classification of all people on relief. If it can find the jobs in normal industry, so much the better. We hope that the expanded federal work program will also draw from home relief many of those who are now on it.

Our share in this program is to see to it that those who are offered proper jobs, whether they take them or not, go off home relief. We cannot see why

the community should support anybody who refuses a proper job. The complication in this situation is the definition of "proper." There are some types of work that it would be bad for the community to force people into, owing to unsanitary conditions, indecent conditions, hours that are too long, or sub-standard wages. Those definitions are the duty of the state labor department.

INVESTIGATORS

We operate through forty-four precincts scattered through the city and we have something less than five thousand investigators. Each is supervised, and we have in addition, a system of special investigators to help in doubtful or border-line cases. We have tried also, in a small way, a system of panels or boards of citizens, who are intended to be in close enough touch with the different precincts to assure themselves, and therefore the public, that the work of our investigators is being properly and well done. We are strengthening this system and re-building it. It has not been as effective as it should have been for lack of supervision and encouragement. Such a system does not work by itself but needs to be constantly built up and helped. If properly done it is a safeguard to the citizens and a great help to the investigators.

I have met a great many of the investigators and they are mainly a fine group of sensible people. I have much evidence that they are using good, common sense and not many evidences to the contrary.

Where we do find such evidence, we are taking corrective action and that, too, is our daily task of administration. Our system of supervision seemed needlessly complicated and it appeared to me to lack that conjunction of authority and responsibility which is necessary. We are straightening that out and we look for further improvement.

I wonder how many people realize that an investigator's job really comes under the classification of a hazardous profession. In many cases the investigators, whose duty it is to discover any undisclosed sources of income in order that there be no cases of relief fraudulently given, literally take their lives in their hands. Threats are a daily occurrence and several times during each week our investigators, most of whom are women, are physically attacked. We even have a number of instances in which they have been threatened with death.

In spite of everything, our relief rolls are growing. They went down slightly in the first part of May, but since the middle of last month, contrary to the normal seasonal trend, we have had an increase. Naturally the causes of this are complicated, and our studies indicate that the increases are due partly to the wearing out of borrowing ability; partly to the dangerously strong tendency of relatives to throw on the city what should be their primary responsibility; and partly to the fact that the new federal works relief program emphasizes the necessity of making these jobs available only to those on home relief. All of this has made it possible, and in fact necessary, for those who could technically qualify to take advantage of the situation.

ADMINISTRATION

At this point let me refer a bit to administration, for that is the field with which I am most familiar. To do this work properly we must have an extremely efficient organization, and that means an organization which is quite on a par with the most efficient business. Everything in the past has tended against this. First of all there has been a feeling that the work is temporary and that it was a sort of charity. There was at one time a movement to have the

administration done by those on relief.

Now none of these basic concepts makes for efficiency. We must have in responsible positions thoroughly capable people and thoroughly sensible people. The proper expenditure of twenty million dollars a month of public money is quite as difficult and needs as high grade ability as a business organization of similar size. We have gone a long way towards meeting these standards, in spite of the fact that we have nothing beyond the desire to serve the public to attract men of this grade.

As I understand it, the administration of the bureau should be carried on by four quite distinct classes of people. First, there are those on the top who are entirely independent and interested solely in seeing that the city is properly served.

Second, are those technical persons whose judgment is of a high order and who are capable of solving the complex problems of our organization. Such persons form the backbone of the organization; their permanence must be reasonably assured and their salary comparable to the normal city rates. The efficiency and excellence of the entire organization depends on them, and to underestimate their contribution is a penny-wise and pound-foolish policy. It is because these salaries were not comparable that the recent attempt was made to adjust them so as to assure the relief administration continuity of services and efficiency in administration. Some of the persons have said that they would not leave their jobs even if they did not get the increases; but I take it that there is no desire on the part of the community to penalize loyalty. After long study, with all the different aspects of the organization in mind, the increases were recommended by Mr. Boardman, the efficient engineering head of the works division. I think it could only be because the complex nature of

this organization is not understood, that any criticism arose.

The third class is of a more dual nature and should combine ability with the desirability of taking people from the relief rolls. Such persons comprise the bulk of the administrative staff. Lastly are those routine positions where relief is dominant and where judgment is not so important. These positions should be, and are being filled from the rolls of home relief.

Now an organization like this is peculiarly subject to pressure and to undermining. Its purpose is less clear than that of the normal business organization, for it is essentially engaged in giving out money rather than in earning it. It is impossible to give out twenty million dollars a month without being attacked, because all our problems have a dual aspect, and thus there is no clear right and clear wrong. We are generally faced with finding a solution that is less bad than another, and not a solution that is decidedly good in and of itself.

DIFFICULTIES ARISE

All this is aggravated by the fact that we have in this city many groupings of citizens based on different mutual interests—political, religious, racial, technical, labor—and we even have a group which is held together by the misfortunes of physical handicap. Each of these groups has the special object of looking after its own interest. When you add to this the fact that the community is "on edge," you have room for a great deal of dissatisfaction, some of which is justified.

Now the fact is that our one object is the giving of relief without favor or discrimination to those who need it. We are limited in the amount of relief we can give by the appropriations made available to us from month to month. We are doing our best to give this relief where it is needed.

There are many apparently reasonable requests, like the demand for jobs, which, as a relief organization, we cannot meet. The Emergency Relief Bureau is not responsible for the depression. It is the agent of the city in the task of alleviating some of the suffering caused by unemployment.

Our problem extends through the entire city, and requires all the help of all the citizens if it is to be done in a manner creditable to the City of New York. There is no small group anywhere capable by itself of doing this work in the best way. We are all interested, both as taxpayers and as citizens, to see a stable social order and a happy community. We cannot isolate the problems having to do with relief. They are with us and we must face them individually and collectively.

Mayor LaGuardia has supplied government leadership in bringing federal funds to New York and in his encouragement of export and import. He is doing what he can. It is for business and labor leaders to decide that they cannot tolerate this vast army of unemployed, and it is for them to create terms under which people can return to normal productive business employment.

EDITOR'S NOTE.—Text of address delivered before Citizens Union of New York City, June 18, 1935.

Paying for Economic and Social Security

Federal aid very necessary if welfare activities included in the social security program are to meet the need adequately

JOSEPH P. HARRIS

Former Assistant Director, Committee on Social Security

NOT long ago the president of a small manufacturing concern wrote the President about the cost of the social security bill as follows:

"... If the social security bill is passed, I will have to close down my plant, as I feel that, together with taxes that we are subject to now, and the taxes that will be imposed upon us by the cost of the social security bill, we will lose our plant and equipment. It has only been by the most exceptional sacrifices that we have been able to keep on operating through the depression, employing as many people as possible.

"Very frankly, this morning's newspaper reports discouraged all incentive to continue."

Probably many businessmen feel very much the same way about the social security act.

There have been many misrepresentations about what the social security bill provides in the way of payroll taxes and other costs to be borne by taxpayers. A circular issued recently stated that the federal government is about to impose a payroll tax of 6 per cent on employers, and taxes of an equal amount will be levied by the states to carry out the program. There is no truth to this statement. The federal tax upon payrolls under the social security act in 1936 is 1 per cent. The maximum rate, which will not be reached

for fifteen years, is 6 per cent. The state contribution rates for unemployment compensation will not be additional to this figure, but will be credited against the federal tax.

There was recently circulated throughout the country a statistical summary of the financial aspects of the social security act which stated that the total bill, up to the end of 1950, would be forty-one billion dollars. This was put out by a firm whose particular business is that of advising companies in setting up retirement systems, and consequently are obviously opposed to the social security program. This summary included the total of federal and state expenditures for old-age pensions, for dependent children, and for the other welfare activities included in the social security act, and also old-age insurance and social insurance. Comparison was made between this staggering total of forty-one billion dollars and the national debt of about twenty-eight billion dollars at present, and the world war debt of twelve billion dollars. Of course, if we take any expenditure for a period of years, we can arrive at a large figure. One might ask, why stop at fifteen years? If we take, instead, thirty years or fifty years, we get a much larger figure.

These estimates of forty-one billion dollars for the fifteen-year period up to and including 1950 are based upon maximum estimates which have been made

for all of these activities and the total expenditures of all units of government. What the actual cost will be, no one knows. Take the matter of old-age assistance—this estimate of forty-one billion dollars, by those who oppose the social security bill, includes as one item approximately twelve billion dollars for old-age pensions over this fifteen-year period. No one knows what the actual cost will be. The staff of the Committee on Economic Security has estimated that the cost will be about five billion dollars, federal and state, over this period, while the consulting actuaries of the committee estimated that the cost might run as high as twelve billion dollars. The critics of the bill have naturally taken the higher figure.

At the present time thirty-five states in the union have old-age assistance laws. Certainly, no one can charge that the social security act is responsible for this type of expenditure. No doubt, with federal assistance, the cost in the future will be much greater, but we must recognize that there is a widespread demand for this type of treatment for aged needy persons. The cost in the future will rapidly increase, regardless of whether or not federal aid is provided. In one sense, the social security program increases this cost by stimulating the states to make more adequate provisions and by matching their expenditures. But, over a long period of time, the social security program very greatly reduces the cost for gratuitous old-age pensions by providing a self-supporting system for old-age insurance. When twenty-five million wage earners are contributing to an old-age insurance system, much of the political pressure of the constant extension of free old-age pensions will be removed. This large group of persons who pay out of their earnings for old-age security will not look with favor upon the payment of extravagant free pensions to others.

There is a widespread demand for more adequate provisions for aged needy persons. This demand is based upon the growing feeling that society can well afford to pay old-age pensions to retire aged persons from the labor market. There is also a growing dissatisfaction with our homes for the aged, and a demand for support of needy aged persons in their own homes. The social security program recognizes this demand. It also recognizes that the ideal provision of security for old age is not public support of those who are dependent, but the avoidance of dependency in old age through a system of old-age insurance.

Another item in the social security program providing federal aid to the states for public welfare purposes, is the aid for dependent children under the state mothers' pension laws, which will amount to approximately twenty-five million dollars a year, increasing gradually to probably fifty million dollars annually. This, however, is no new expenditure for either the federal government or for the states. It does not represent an increase over what is being spent at the present time, but rather a better method of taking care of families which have lost the wage earner. The other items—maternal and child health, crippled children, vocational rehabilitation, blind pensions, and public health measures—amount to only a few million dollars annually and constitute no serious problem of financing.

UNEMPLOYMENT INSURANCE

The largest future cost of social security will be for unemployment compensation and for old-age insurance. During the next fifteen years, it is estimated that the taxes collected for unemployment compensation will total about twelve billion dollars, or an annual cost of eight hundred million dollars. Presumably, this will be expended currently,

though it is quite possible that at the end of fifteen years a considerable reserve will be left for future benefits.

It is necessary to look at the other side of the picture. What will be the wage losses during the next fifteen years in the employments covered by this form of social insurance? According to the estimates of the actuaries of the Committee on Economic Security, the total wage loss over a period of fifteen years will be about seventy-five billion dollars. For the last several years the annual wage loss has amounted to over ten billion dollars, and an estimate of seventy-five billion dollars over a period of fifteen years may be regarded as quite conservative.

One may well ask how it is expected that twelve billion dollars in the form of unemployment benefits can be spread satisfactorily over wage losses more than six times this figure. When we consider, however, that unemployment compensation benefits usually amount to only 50 per cent of regular wages, are paid only after the worker has undergone a waiting period of one to four weeks, and are paid only for a limited period of time, we can understand how benefits totalling only one-sixth of the wage loss may provide a considerable amount of security. It must be borne in mind also that partial unemployment will be largely uncompensated.

The cost of unemployment compensation will be paid originally by the employer through a payroll tax at the rate of 1 per cent in the first year, 2 per cent in the second year and 3 per cent thereafter. Since this tax applies uniformly throughout the country, no doubt it will be largely passed on to the consumer and will thus constitute a very proper and legitimate charge in the cost of production. This cost will be reflected in increased prices, but the effect of this is usually exaggerated. Take, for example, manufacturing, which will

bear a very large part of the unemployment compensation tax. According to the 1933 Census of Manufacturers, labor costs amounted to only .21 of 1 per cent of the value of products. If a 3 per cent tax were passed on entirely to the consumer, the increased cost of manufacturing would only be about .63 of 1 per cent. Of course, the payroll tax does not stop at manufacturing, but applies also to other stages of production and distribution, but the total cost, if passed on entirely to the consumer, will be much less than 3 per cent of the value of products. The usual estimates are that only about 66 per cent of the value of production represents labor costs, but we must remember that only about half of the gainful workers will be covered by unemployment compensation and quite probably a 3 per cent payroll tax will result in an increase in prices of only about 1 per cent, again assuming that the entire tax is passed on to the consumer.

No doubt, part of the payroll tax cannot be shifted and will have to be borne by the employer. But, employers in practically all other industrial countries of the world are paying contributions for unemployment insurance for their workers. At the present time in this country the worker bears the entire loss resulting from unemployment and he will continue to bear probably five-sixths of it even under a system of unemployment compensation.

OLD-AGE INSURANCE

Let us turn now to old-age insurance. This tax which applies equally to employers and employees starts at a 1 per cent rate on wages up to three thousand dollars a year in the year 1937. It increases by $\frac{1}{2}$ per cent each at three-year intervals until it reaches a maximum rate of 3 per cent each in 1949. The estimated tax receipts on this form of taxation during the first fifteen years will total about fifteen billion dollars,

but at the end of the fifteen-year period there will be a reserve fund amounting to approximately fourteen billion dollars, representing savings for the future payment of benefits. The actual benefits paid out during the first years will be slight, increasing gradually as more and more persons under the plan retire and qualify for benefits.

It is a mistake to look upon these forms of social insurance as ordinary governmental costs. Unemployment insurance is a means of spreading the economic losses due to unemployment so that they do not fall with such tragic consequences upon the immediate families concerned. These economic losses are with us and are inescapable. They will continue under unemployment compensation and will be borne in a large measure by the persons concerned. Unemployment insurance does not create any new burden, but merely spreads the existing social burden. Society cannot escape from bearing a share of this cost. If it does not do it through unemployment insurance, it will do it through high taxes for unemployment relief.

Much the same is true of old-age insurance. The problem of old age is certainly not created by the social security program. It is rapidly becoming one of our greatest social and economic problems. The needy aged must be cared for in one way or another. This need is met by the social security program in two ways. First, by federal financial support of state and local units of government in providing gratuitous old-age assistance to needy aged persons, and secondly, by a form of old-age insurance which will enable the worker, with the help of his employer, to make his own provision for old age. Old-age insurance is the better solution because instead of taking care of dependency, it avoids dependency. It must be recognized, however, that many persons who are not covered by the system of old-

age insurance will be dependent in old age, and we can never dispense altogether with a system of free old-age pensions for needy aged persons. The cost of this activity, whatever it may become in the future—and there is every indication that it will be large—will have to be supported by general taxes.

LOCAL GOVERNMENT FINANCE

There is an imperative need of federal aid for old-age assistance and the other welfare activities provided in the social security act. The breakdown of state and local financing is all too well known. The local units of government are supported primarily by the general property tax. In 1932 the general property tax amounted to 92 per cent of all local tax revenues. Now it is quite apparent that this form of taxation cannot be expanded to take care of increased public expenditures in the future. The indications point the other way. Relatively high general property taxes have been collected in the past because property has been constantly increasing in value. In 1922 the valuation for the entire country was \$124,000,000,000. By 1930 this had increased to \$167,000,000,000, an increase of \$43,000,000,000 in eight years. High property taxes could be levied because they amounted to a public levy upon part of the unearned increment of land values, but since 1930 the situation is just reversed. Property values have dropped back to approximately the 1922 figures. We cannot expect the property owner to pay as high taxes on his property during a period of falling prices as in a period of rising prices, which has been the general rule in this country for many years. In 1932 the general property tax collections of state and local governments amounted to 57 per cent of the total taxes collected for all units of government in the country, including the federal government. It is extremely significant to compare this with the sit-

uation in Great Britain where tax receipts from general property amounted to only 17.7 per cent of the total tax receipts of the national and local governments. Everything seems to point to a material reduction in the general property taxation in the future.

Considerable light on local financing of social work is also shown by the public debt situation of local units of government. During each decade since 1900, the debts of local governments have almost exactly doubled. In 1922 local governments had a total net debt of \$7,750,000,000. By 1932 this had increased to slightly over \$15,000,000,000. During this same period the federal government had wiped out about \$10,000,000,000 of its national debt, cutting it nearly in half. This increase in local indebtedness reflects the expansion of public works, but also the inability of the present tax structure to meet the cost of local government. The evidence is clear that local units of government, limited almost entirely to the general property tax, are in no position to shoulder the increased cost of social work in the future. Local units of government are powerless, legally and practically, to levy new forms of taxes which will raise any appreciable revenue. It is all too apparent that state and federal aid are absolutely essential to meet the problem. It is significant in this connection to again refer to the English practice. England has had a long history of grants-in-aid to the local units of government, but the grants have been increasing very rapidly during the last ten years. In 1920 the grants-in-aid of the central government to the local authorities amounted to approximately \$250,000,000, or about one-half of the amount raised by local taxation. By 1932 the grants-in-aid had increased to over \$600,000,000 or almost equal the amount raised by local taxes.

STATE GOVERNMENT

State governments rely much less upon the general property tax than the local governments. The most recent development in state finances has been the phenomenal growth of automobile taxes—gasoline and automobile license taxes. These forms of taxes constituted 42 per cent of the total state tax receipts in 1932. When the states were confronted with the necessity for paying a share of the cost of unemployment relief, they have found it necessary to resort principally to two methods of financing—borrowing and the sales tax. Neither method is satisfactory nor to be looked upon as a permanent policy. The fact of the matter is that the states are in much the same situation as the local units of government. Legally they are in a superior position, for they can levy new forms of taxation, but actually the competitive situation is such that they can raise new revenue only with great difficulty.

Another factor also enters into the situation. There is an enormous disparity between the income and tax-paying ability of the citizens of the several states. According to studies of income, New York State in 1929 had the highest per capita income, amounting to \$1,365 per person. On the other end of the scale was South Carolina with a per capita income of only \$261, or about one-fifth of that of New York. In that year eight states had less than a \$400 per capita income. Twenty states had less than an average of less than \$600 per capita, while five states had over \$1,000 per capita, and twelve states had over \$800 per capita. Everyone knows that there is a great concentration of wealth and income in our populous urban states. Most of this income is based upon nation-wide operations.

The taxing ability of the federal government is vastly superior to that of

the state and local units. It is not bothered by competition between states or communities; it is not hampered by constitutional restraints; it is the only unit of government which can effectively tax those most able to pay.

The need of federal aid for the several welfare activities included in the social security program is tragically apparent. I am not disposed to view the total expenditures involved for grants-in-aid to states with any degree of apprehension. It is unlikely that they will amount to as much as five hundred million dollars annually for a number of years to come. Except for the old-age pensions, the other items will hardly total one hundred million dollars annually in the future. When we compare this to our expenditures for national defense and for military veterans, we cannot become alarmed. When we consider the fact, also, that the federal government during a period of about ten years, from 1920 to 1930, was able to retire each year about one billion dollars of its debt, reducing its tax rate a number of times during the period, we can feel fairly sure that these items do not place upon the federal

treasury any unusual burden in the future.

The provisions of social insurance in the social security program will not add to the burden upon the taxpayer, but quite the contrary. By the spreading of a part of the economic burden of unemployment over a wider group in the community as provided in the unemployment compensation, the necessity for governmental expenditures for unemployment relief will be greatly reduced. Those who fear the economic consequences upon business and industry fail to recognize that practically every other industrial country in the world has such a system. The system of old-age insurance, providing an income to wage earners upon retirement, may be regarded as a form of savings for old age. No one views with alarm the creation of similar systems upon a voluntary basis by employers. Old-age insurance is based upon the very simple principle that wages should be spread over the entire lifetime of the worker, rather than merely his productive years.

Editor's Note—Address delivered at the Institute of Public Affairs, University of Virginia, July 8, 1935.

Schenectady Manager Government Upheld by Courts.—The New York Court of Appeals early this month sustained the election in Schenectady last November in which that city voted overwhelmingly to adopt the city manager plan of government. Despite the evident desire of the citizens, who voted two to one in favor of the plan, it looked for awhile as if they were to be denied the right to use it when the Appellate Court held the election illegal.

Opponents of the city manager plan, basing their case on minor infractions of election regulations, believed they had blocked the move when the Appellate Court ruled in their favor. However, the fight was carried to the Court of Appeals which reversed the decision of the lower court, and confirmed the will of the voters.

The decision was joyfully received by the Schenectady Charter League and the Taxpayers' Association, as well as by the local press. Petitions being circulated to force a special election in case of an adverse court ruling have now been dropped, and every effort is being made to insure the election of well qualified officials in the fall election.

Dust Gets in Your Eyes

The citizen in the
new world of plan-
ning

LUTHER GULICK

Director, Institute of Public Administration

THE first of the great dust storms came out of the west about a year ago. Since that time there have been many more, though few have carried as far as the eastern seaboard. In the fall I rode through mile after mile of the country from which that dust came. It is a tragic sight. There are fields of dead cornstalks which never came to maturity, fences that have been buried in dust, leafless trees, grassless meadows, deserted homes, dry wells, waterless riverbeds. The few people you see look like Indian mummies and their occasional livestock gaunt and lifeless. Over everything is a brownish, red color. There is no green to rest the eyes, no life to cheer the spirit, no sign of healing to comfort the heart.

DUST AND CIVILIZATION

I have seen the destruction wrought by earthquakes, by fire, by tidal waves, by tornadoes, by typhoons, by lightning, by war. But none of these compares with the thing that is now happening on the prairies, the plains, the hills of North America in our own lifetime. These other disasters are sudden, cruel, and explosive. This disaster is gentle, relentless, and silent, except for the moaning of the wind and the occasional rush of the rain in torrents down the deep gullies carrying away still more soil. What is it we are seeing? Is it the birth of a great new American desert? That seems to be the conclusion

of the engineers, geographers, and agronomists. While it is too early to say this definitely, there are some things that we do know. We know that these areas were until recently covered with trees and with grass. They were plentifully supplied with water and blessed with rains. This was the land

"Where the deer and the antelope
played

Where seldom was heard

A discouraging word."

Then came the covered wagon, the axe, the plow, the tractor, and the white man—hardworking, patient, energetic. He felled the trees so as to send away the greatest possible quantity of timber to be sawed into boards; he planted wheat and corn, and raised hogs and cattle, so as to get from the soil every dollar he could, as quickly as he could. On the great meadows he grazed cattle and sheep, all the land would stand, so that he might sell to the east, and to England, and to Europe. Never before in history was such a large area of the surface of the earth brought under the hand of man to yield him wealth in such a short span of years.

But the cumulative result of all this hard work by the timber-cutters, the cowboys, the farmers, and the drivers of tractors and combines, was to upset the processes of nature. When the trees and the grass were gone, the moisture, too, began to leave. There was nothing

to hold it back, so when it rained, instead of soaking into the soil, it rushed into the rivers, filling them with priceless topsoil and threatening even to silt up the power and irrigation reservoirs, so that these gigantic works may be useless in a relatively short time. And when the sun shone, it was hindered by no foliage, but sucked the soil dry and baked the fields and prairies. And then the wind did the rest, stirring up and carrying away thousands of tons of topsoil, and leaving behind miles and miles of sand.

This is not the first time in history, apparently, that men have upset the balance of nature and brought the desert into their fertile lands, and mountains of dust into their homes. Think for a moment of the Garden of Eden. The early records place the garden in Asia Minor, perhaps in the valley of the Tigris and Euphrates, a land that is now hardly more than a desert, inhabited by seminomadic tribes. Then there was Palestine, "the Promised Land, flowing with milk and honey," almost deserted for fifteen hundred years. Was Egypt so barren and sand-swept in the days of the Pharaohs? Or is that another land that went desert, gradually driving out man, and forcing him to leave behind the greatest monuments ever built until our modern age of machinery, steel, and concrete? Whatever the causes were that turned to sands the fertile fields of Assyria, Egypt, the Garden of Eden, and the Promised Land, and their civilizations into dead monuments and dust, we know what it is that is now turning our western lands into deserts.

ECONOMIC IMPORTANCE

The economic importance of what is happening is worth noting. Of the two billion acres in the United States, about one-fourth, 450 million acres, is farm and agricultural land, according to

the recent survey of our national resources. Thirty-five million acres have been utterly destroyed already. Another 125 million acres have been largely stripped of topsoil so that they now have lost 90 per cent of their power to produce; and another one hundred million acres are in serious danger. If we let matters go on as they have gone in the past, we shall, within a comparatively short time, find ourselves with less than half the farm acreage that we need for our population. The value of the annual destruction of the land has been estimated to be \$400,000,000 a year during the past decade.

But I am not interested in elaborating these statistics here. I am interested rather in the light which this experience throws upon the nature of our civilization.

UNDERLYING FACTORS

Most of the men who brought on this great disaster were decent, honest, hard-working Americans. They were like you and me, except that they had harder hands, stronger backs, and could shoot and ride better than we can. Of course there were a few, especially those who stripped off the timber and allowed the slash to burn, who had no decent regard for the future. But the pioneers and their descendants were generally as fine and reasonable and friendly people as there were anywhere in America. Each one was doing what he thought was the best thing to do, and yet when you add up the sum total of the things they did, what do you get? A great public disaster, a disaster which is engulfing them, and threatening us as well.

We are accustomed to adding two and two and getting four. And we know that if we do it over and over again, say one hundred times, that we will get two hundred for the answer. But when you take these farmers and ranchmen and timber owners in the west, and add

up the sensible, positive things that A did, plus the sensible, positive things that B did, and so on for ten thousand hard-working Americans, you don't get ten thousand sensible things. You get instead one tragic disaster, a negative result, and ten thousand ruined ranches and farms.

This illustrates one of the most important facts of social and economic life: *the sum of the natural and reasonable activities of individuals who make up a group may be extremely harmful to the group as a whole and thus to those individuals as well.*

Now let's turn back to the lands that are in danger of going desert. What can a ranch owner do by himself? Well, he can plow along the hillsides following the contours so as to delay the run-off of the rain; he can grow crops in strips; he can practice rotation; he might even do some terracing and build protections in the gullies. But would all this expenditure of energy and money bring up the level of water under his farm lands; would it stop the dust or the floods from the ranches that lie above him? As a matter of fact, a large part of his work would be a benefit to someone else.

While every one will do a certain amount of work which is a benefit not to himself primarily, but to others, it is not possible to rely on this as a continuous force in the day-to-day life of individuals who have a hard enough time making their own living. And beyond these things which can be done on the individual ranches and farms, there are needed to make up for the destruction that has been wrought great dams and irrigation projects which no one person can afford, and which may serve millions of acres. It is obvious that we cannot depend on the independent action of individual farmers to bring soil erosion under control. This illustrates a second fact: *Individual action cannot*

be relied upon to rescue a group from a disaster brought upon that group through the natural and reasonable action of individuals who form it.

THE WORLD TODAY

In the world today, we are confronted by a great many problems which have been created for nations and for other large groups of human beings through the more or less reasonable and natural action of individuals. The international situation is a good example. The collapse of world trade came in large measure because groups within each nation thought it would be the sensible thing to place restrictions upon commerce through tariffs or quotas. It was "good for them". What they didn't see was that this practice would destroy international trade, and that this would in the end ruin their own nations with unemployment and that they themselves would then be swept into the whirlpool, the descending spiral of the depression. The competitive management of currency in the hope of getting advantage over other nations is another of these fallacious economic endeavors. It is another boomerang which in the end serves to destroy, not to build up. It would be possible to go on describing the various difficulties that have been encountered both here and abroad, and to show to what extent many of these disasters mankind has brought upon itself as a direct result of the violation of the fundamental laws we have been discussing.

These conditions have produced the same general response throughout the world. There has been everywhere the sudden development of strong group power, that is, governmental power, and the insistence that this power shall dominate the situation, curbing all individual action so that such action will not injure the group as a whole. This is true of all the dictators in Italy, in Germany, in Poland; it is true of Russia, it is true

of Japan, it is true of England and of France under their "national" governments. And in every case how is action for the benefit of the group as a whole being attempted? It is being attempted by setting up some kind of a national plan, made by the central representatives of the group as a whole, into which all of the work of government, all of the major policies of industry, and even the chief activities of individuals are required to be fitted. By doing this, the nations are trying to make sure that the sum total of individual activities will add up to a positive and desirable result.

We do not need to discuss the various kinds of national plans which the nations are attempting in these difficult times. They differ among themselves very greatly, and our "New Deal" is a still different kind of national planning for group action. But it is important that we see that there is apparently no rational way out of group disaster except through group action, which means group planning.

THE CITIZEN

In this new world of planning the citizen has a much more difficult task than he has had in the past. He will have to learn by heart and by head these three truths:

1. That the sum total of the natural actions of individuals may add up to form a national disaster;

2. That you cannot rely on the natural actions of individuals which created the disaster to cure it; and therefore,

3. That you must develop the appropriate kind of group action to find the way out.

The citizen of the future must, therefore, be prepared to think of himself as a member of a much larger group than in the past, and he must insist on national and world group planning. In the interests of intelligent planning and efficient administration of plans, the citizen will have to demand better men in government and insist that they play less politics and do more work, and that they are given adequate powers and continuity. When plans are developed, the citizen will have to make it his business to work *with* these plans, not against them. All of this will mean a strengthening of the influence of group action, that is, of government. In order that this may be safe, the citizen must insist on the maintenance of more rigid controls, and above all of the right of freedom of speech, even for those with whom he does not agree, and freedom of education.

Human beings are by nature somewhat rational, somewhat fair-minded, and somewhat social. There is, therefore, no real danger of absolutism or slavery as the result of national planning if there is freedom of speech and press.

Supreme Court Limits Public Utility Valuations

Recent decision on use of index numbers, although blow to regulation, may lead to greater demand for public ownership

JOHN BAUER

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IN a decision and majority opinion handed down on June 3, 1935 (Public Service Commission of Maryland vs. Chesapeake and Potomac Telephone Company of Baltimore City), the Supreme Court of the United States apparently fixed the most definite limitation ever placed upon public utility valuation since the original pronouncement on "fair value" in the famous case of *Smyth vs. Ames* in 1898.

Intelligent and open-minded students have long agreed that the present system of regulation as developed under state legislation and the Supreme Court decisions, has had its chief defect in the matter of valuation. The general standard has been that a company must be allowed rates high enough to cover all reasonable and necessary operating costs, plus a fair "rate of return" on the "fair value" of the properties used in the public service. While this has been subject to various difficulties of administration, the paramount one has been the determination of fair value. This has been subject to judicial criteria which have been indefinite both as to concept and procedure. The Supreme Court has set out the factors to be considered, but has never fixed positive elements to be included, or prescribed the proportions to be allowed.

In the entire history of rate regulation, the major issue has been the extent that fair value should be determined by

actual cost of the properties used in public service, or by so-called "reproduction cost" as found at the time of the inquiry. The one could be determined quite readily from records and accounts, and could be adjusted more or less satisfactorily without serious uncertainty as to facts. The other has been based upon physical appraisal as determined by inventory and computation of unit prices for installation at the time of valuation, and so has involved estimates, assumptions, uncertainties and violent differences in claim as to quantities properly included. In procedure, it has led to specialized dispute, elaboration of detail, expense and delay, and has therefore largely precluded systematic and continuous rate control.¹

The difficulties of determining reproduction cost by appraisal have led practically to its abandonment by the commissions and consumer representatives. Although previous court opinions rather indicated that fair value as such must be determined by physical appraisal, with due regard for existing and prospective prices and costs, the decisions had not been definite and called

¹The faults of appraisal have been frequently considered in the REVIEW by the writer. They are set forth comprehensively in "Public Utility Valuation for Purposes of Rate Control", by Bauer and Gold (Macmillan Company, 1934). See particularly Ch. VII "Reproduction Cost Assumptions" and Ch. VIII "Valuation Procedure".

for consideration of other factors. Consequently, the commissions and public representatives have kept away from appraisal as much as possible, and have relied primarily upon records and analysis of actual cost. The years of depression particularly have largely precluded the use of appraisal; public funds for that purpose have not been available, and yet there has been great pressure for rate reductions in the face of declining prices, contraction in purchasing power and unemployment.

USE OF PRICE INDEX NUMBERS

Under these pressing conditions, special efforts have been made for short-cut procedure to determine valuation with maximum expedition and minimum expense. To give effect to the shift in prices and costs, there has been particularly recourse to use of price index numbers for adjustment of actual investment to the new level of equivalent values.

The use of index numbers assumes that fair value starts with actual investment prudently made, and that its subsequent modification is basically justified only by price changes as indicated by index numbers published by the United States Bureau of Labor and other organizations concerned with price movements. When prices have risen, adjustment according to appropriate price index would show the equivalent value of the investment in terms of the lower dollar value. Conversely, if prices have fallen, it would convert the investment to the higher dollar value. Inasmuch as authoritative price indexes are readily available and records of actual investment are usually kept quite satisfactorily, the adjustment of fair value to changing prices could be made promptly, and rate revisions could be ordered by commissions without recourse to appraisal, with its assumptions, uncertainties, cumbersomeness, expense, and delay.

Notwithstanding its fundamental sensibleness and economic soundness, the commissions have been reluctant to adopt the index number method for fear of judicial disapproval. The Chesapeake and Potomac Telephone Company case at last placed the issue of the use of index numbers squarely before the Supreme Court.

THE BALTIMORE TELEPHONE VALUATION

On November 28, 1933, the Public Service Commission of Maryland ordered a reduction in telephone rates charged by the Chesapeake and Potomac Telephone Company of Baltimore City. To avoid delays of appraisal, it used the price index method, which seemed particularly appropriate under the special circumstances. The properties had been previously valued as of December 31, 1923, at \$29,500,000—which had been fixed by the federal district court by use of a 1916 appraisal and *application of index numbers*, with adjustments for additions and retirements between 1916 and 1923. In the present case the commission started with the 1923 valuation as found by the district court, and converted the amount to an equivalent present sum by application of price index ratio. Similarly it recomputed subsequent annual additions into equivalent present-day investments, and likewise adjusted the depreciation reserve to reflect present dollar values. By this method it found a total average rate base of \$32,621,190 for the year 1933, including an allowance of \$660,863 for working capital.

This valuation was rejected by the federal district court because of use of index numbers—which had been used by that court in 1923. The district court now used instead essentially actual cost, less depreciation reserve, without giving effect to the lower level of prices—the general method used by the commission in 1923 and then rejected by that court. The court's new valuation for 1933 was

\$39,541,921, compared with the commission's figure of \$32,621,190. The court enjoined the rates ordered by the commission, and the latter appealed to the Supreme Court for basic decision.

INDEX NUMBERS BEFORE THE SUPREME COURT

The specific question at issue was the use of price index numbers in the determination of fair value. Could this be derived by starting either with actual cost or with previous valuation, and by applying price index ratios to establish equivalent sums at the time of the new valuation?

While this question had not been answered explicitly, reasonable interpretation indicated the acceptability of the index number method. Its acceptability was supplemented by the force of circumstances when prices had fallen greatly, and when the need of prompt rate adjustments seemed obvious. In the particular case it seemed especially appropriate, inasmuch as it had been used earlier by the district court itself in dealing with the same commission and company. There was only one substantial difference, that in the previous case index numbers produced greater while now they resulted in lower figures than actual cost of the properties.

The index number issue was met squarely by the Supreme Court in the present case. After reviewing the facts and arguments, it sustained the injunction issued by the district court, though it rejected the latter's valuation as well as that of the commission. The decision rested upon the *methods used* rather than the *basic equity of the results*. This indicates distinct reversal from previous trends, which emphasized *results* rather than *methods*. In the Los Angeles Gas and Electric case (289 U. S. 287, pp. 304, 305), Chief Justice Hughes, then speaking for the majority, stated:

We do not sit as a board of revision, but to enforce constitutional rights. *San Diego Land & Town Co. v. Jasper*, 189 U. S. 423, 446. The legislative discretion implied in the rate making power necessarily extends to the entire legislative process, embracing the method used in reaching the legislative determination as well as that determination itself. We are not concerned with either, so long as constitutional limitations are not transgressed. When the legislative method is disclosed, it may have a definite bearing upon the validity of the result reached, but the judicial function does not go beyond the decision of the constitutional question. That question is whether the rates as fixed are confiscatory. *And upon that question the complainant has the burden of proof and the court may not interfere with the exercise of the state's authority unless confiscation is clearly established.* (Italics ours)

REVERSAL OF TRENDS

This language seems explicit that the court was then concerned with results, not methods. Furthermore, the decision and opinion in that case made very clear that the burden of proof to show confiscation rests upon the company, and that the fact of confiscation must be definitely established before the court would find rates fixed by legislative process invalid. The same general position, though less precisely stated, has appeared also in other cases.

In the present instance there was no proof that the results *per se* were confiscatory. There had been no physical appraisal made either by the company or by the commission, though limited appraisal checks had been presented by the company. What the court disapproved was not specifically the valuation found by the commission on the ground that it was confiscatory, but rather that the method was wrong. Similarly it ruled against the finding of the district court, not because the results were intrinsically inappropriate, but because the method was invalid. The decision therefore indicates that the commissions must pay primary attention to methods and procedure if their orders are to pass judicial muster.

Physical appraisal appears to be the exclusive method for the fixing of fair value. This evidently cannot be reached by book cost less depreciation, nor book cost adjusted to change in price level. It can be ascertained, it seems, only by starting with properties that exist at the particular time of inquiry, and by applying new unit costs under then existing conditions. This presumably requires consideration of prevailing cost of labor and materials and modern methods of construction, but not necessarily so; other factors may be included. While the primary requisite is appraisal, yet its specific cost content and its concrete steps of determination are left as uncertain as they had been before. The presumption appears that the appraisal process by itself is exact as to quantitative result, but the minority opinion by Mr. Justice Stone shows the non-tenability of such conception. If fair value is deemed to be something fair in itself, the process of appraisal certainly furnishes no exact standard of its reasonable ascertainment.

ADDS TO DIFFICULTIES OF REGULATION

The decision appears not only as reversal of previous trends which were concerned with results instead of methods, but will add to the difficulties of future rate control, and will probably stand in the way of reasonable readjustment of the system of regulation so that it can be halfway satisfactorily administered.

Realistically considered, the decision hastens the doom of regulation. While, of course, under favorable circumstances physical appraisal can be managed without the extreme elaboration, delays, and costs that have been perpetrated in the past, under most circumstances they are not practically manageable and produce defeat of regulation. In most instances

the commissions simply fail to function. Only in cases of special public pressure will rate cases be undertaken, and then only under super-exceptional conditions will the public side of appraisal be half-way adequately prepared and presented. For the most part regulation will go by default.

Effective regulation from the public standpoint depends upon positive standards and definite facts of record employed continuously in systematic day-by-day control. Special physical appraisals are bound to defeat the public interest. This has been amply demonstrated by a quarter century of largely futile effort of public regulation. The only chance of bringing about satisfactory results is by using methods based upon record facts and systematic administration, and this appears to be precluded by the present decision.

STIMULUS TO PUBLIC OWNERSHIP

There is, perhaps, this consolation, that the decision will bring the requisites of effective public control and policy more clearly for consideration. With the tremendous discontent with utilities, the decision may lead to more positive legislative action, and particularly stimulate progress of public ownership and operation. If this proves to be the consequence, those concerned with public interest might well enthuse rather than bewail the decision.

As a long run policy, it is difficult to see how vital public functions can be organized privately and then kept to proper public objectives through superimposed methods of public control. Under most favorable circumstances and most satisfactory system of administration, there is still such inherent conflict between private and public interest that regulation is likely to be diverted from public purpose to aims of private profit. Such conflict of interest

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County Officials and Efficiency in Government

A study of the qualifications of Montana county officials based on their public and occupational training and experience, education, etc.

ROLAND R. RENNE

Montana State College

EFFICIENT county administration requires well qualified and experienced administrative officers. However, with the selection of county officers by popular vote, with no requirements as to special training and experience, coupled with short terms of office, it is questionable if it is possible as a rule to secure such county officers—at least it does not appear to be the usual experience in Montana.

The following officers are required by law to be elected in Montana counties: assessor, district court clerk, county attorney, commissioners, clerk and recorder, sheriff, treasurer, superintendent of schools, surveyor, coroner, and public administrator. In addition to these eleven officers an auditor must be elected in the larger counties (those with \$15,000,000 or more of taxable value). Justices of the peace also may be elected, usually two each for every incorporated township in the county. County commissioners (three for each county) are elected for six-year terms, district court clerks for four years, and the remaining officers for two years. The board of county commissioners is the policy-forming body, supposedly, but it has virtually no supervisory powers over the other county officers, all of whom are elected by popular vote while their duties are quite definitely outlined by the state legislature. Consequently, there is no effective coordinating head and the different officers are quite inde-

pendent in the administration of their offices. Under such a system it is especially imperative that well qualified individuals be elected to each office if there is to be a high general level of administrative efficiency in the county.

With the exception of three offices: namely, the county attorney, the surveyor, and the superintendent of schools,¹ the only requirements which individuals must meet to be eligible to hold county office in Montana are: (1) They must have reached their twenty-first birthday, (2) be a citizen of the state, and (3) be a voter in the county in which the duties of the office are to be exercised. A questionnaire was sent to all of the 832 elected Montana county officers (all of those listed above with the exception of public administrators which office is of very minor importance) to determine their actual training and experience for the county work. Five hundred and ninety-seven or ap-

¹A candidate to be eligible for the office of county attorney must have been admitted to practice law in the Supreme Court of Montana. To be eligible for the office of superintendent of schools a candidate must hold a state teaching certificate and have had at least three years of successful experience as a teacher, principal or superintendent of public schools. A candidate to be eligible for the office of surveyor must be a professional engineer who has been in active practice of his profession for at least three years, and who has had responsible charge of work as principal or assistant for at least one year. Graduation from a school of engineering is considered as equivalent to two years of active practice.

proximately three-fourths of these officers replied giving their training, experience, education, age, and other requested information.

PUBLIC OFFICE TRAINING AND EXPERIENCE

Two-thirds of all those reporting had no previous county office experience whatever, either as an officer, deputy, clerk, stenographer, or part-time assistant. Three-fourths had no previous experience as deputy in the office and only 17 per cent had two years or more of experience as deputy in a related county office,² and only 7 per cent had two years or more experience in such office. Nearly three-fourths of the assessors and surveyors, four-fifths of the county attorneys, two-thirds of the auditors, clerk and recorders and treasurers, nearly nine-tenths of the clerks of court, coroners, and superintendents of schools, and about three-fifths of the sheriffs had no previous experience as deputy in the office.³ Again we find that while one-fourth of the assessors and one-third of the clerk and recorders, auditors, and treasurers had some experience as deputy, yet more than half (55 per cent) of the assessors, 43 per cent of the treasurers, and 42 per cent of the clerk and recorders and auditors had no experience whatever for these important offices. (These four offices handle virtually the entire work of assessing and collecting taxes and all of the bookkeeping and recording work incident to the receipt and expenditure of county and trust and agency funds.)

Three-fourths of those replying held no other public offices prior to their election to their present office. One-

tenth had held some city office, about the same number had held some county office, 6 per cent had served as school trustees, and 3 per cent had held a state office or were members of the state legislature prior to their election to their present county office. (Some county officers held more than one public office prior to election to their present position.) None of the auditors or superintendents of schools, only one-fourth of the treasurers, clerks of court, clerk and recorders, sheriffs, and justices of the peace, one-third of the assessors and commissioners, and two-fifths of the county attorneys held any public office prior to election to their present office.

OCCUPATIONAL TRAINING AND EXPERIENCE

Nearly three-fifths (57 per cent) of all those reporting had no previous clerical experience of any kind; 11 per cent had previous experience as a railroad or bank clerk, accountant or abstractor; 8 per cent had previous experience as a wholesale or retail merchandising clerk; and 24 per cent had miscellaneous clerical experience. Approximately one-third of the clerk and recorders, auditors, clerks of court, and treasurers, and two-fifths of the assessors had no clerical experience of any kind prior to their election.

Almost two-thirds (62 per cent) of all officers reporting had no previous bookkeeping experience of any kind. One-tenth had some bookkeeping experience in mercantile and other business enterprises, and the balance (28 per cent) had bookkeeping experience in banks, railroad offices, etc. More than half the auditors and assessors, two-fifths of the clerks of court, and one-fourth of the clerk and recorders and treasurers had no bookkeeping experience of any kind prior to their election to these offices.

Nearly half (44 per cent) of all those reporting had no business experience of

²Officers within the two following groups are considered related in that their clerical duties are somewhat similar or deal with the same type of material: Group I, assessor, clerk and recorder, treasurer and auditor; Group II, sheriff, clerk of court, attorney and justice of the peace.

³The offices of commissioner and justice of the peace do not have deputies.

any kind prior to election to their present office; 16 per cent had general merchandising or store experience; 7 per cent had business experience in real estate, banking, loan companies, insurance, or the practice of law; 5 per cent were farmers; and 28 per cent had miscellaneous business experience. More than nine-tenths of the superintendents of schools, two-thirds of the clerk and recorders, more than one-half of the assessors, treasurers, and clerks of court, two-fifths of the sheriffs, one-third of the county attorneys, auditors, and surveyors, one-fourth of the justices of the peace, and one-sixth of the coroners had no previous business experience. More than one-fourth of the commissioners, the policy-forming branch of county government, had no business experience of any kind prior to taking over the directing of the business of the county.

AGE AND EDUCATION

Nearly one-third of the 597 county officers reporting were 50 years old or over when first elected to their present office, while 12 per cent were less than 30 years old and 13 per cent were 60 years old or over. Two-thirds of the justices of the peace, over half of the commissioners, one-third of the assessors, one-fourth of the clerk and recorders, clerks of court, coroners, sheriffs, surveyors, and treasurers, one-eighth of the attorneys, and one-twentieth of the superintendents of schools were 50 years old or over when first elected to their present office. Only two-fifths of all those reporting were under 40 years of age when first elected to their office. In view of the fact that two-thirds of all those reporting had no county office experience of any kind prior to election to their present office, it would seem that the majority of county officers are individuals who enter the profession of county administration late in life without having served a prior period of

apprenticeship or training in even similar types of work.

Nearly half (49 per cent) of all those reporting did not finish high school, 6 per cent did not finish grade school, while 16 per cent had at least 4 years of college. Less than one-fourth of the sheriffs and justices of the peace, less than one-third of the assessors and commissioners, and about half of the clerk and recorders and treasurers finished high school, while 2 per cent of the assessors, 4 per cent of the justices of the peace, 5 per cent of the commissioners, 6 per cent of the clerks of court, 8 per cent of the clerk and recorders, and 9 per cent of the treasurers had 4 years or more of college.

In the three county offices in which special qualifications are required: county attorney, superintendent of schools, and surveyor, the officers lacked the experience necessary for most efficient operation of these offices. Only one-third of the county attorneys reporting had considerable legal experience prior to their election to office. The county superintendents of schools, on the average, have considerable teaching experience and education but have little clerical and financial training or experience required for efficient management of the office. More than two-thirds of the superintendents reporting had 6 years or more of teaching experience, but less than one-fifth had any previous clerical or bookkeeping experience. Nearly two-thirds of the surveyors listed themselves as engineers but only about one-fourth had any considerable engineering experience. The law does not specify whether the aspirant for county surveyor must be a civil, mechanical or any other type of engineer. It merely requires that he be a professional engineer and he may have as little as one year of active practice to be eligible to do the engineering work of the county.

RATE OF TURNOVER IN ADMINISTRATION

Short terms of office are a large factor in the lack of training and experience of Montana county officers. With the exception of commissioners (6 years) and clerks of court (4 years) the length of term in Montana is 2 years. This short term with a system of selection by popular vote seems to make for a high rate of turnover in these offices, which in turn results in inefficiency due to the frequent induction of inexperienced men into office. The length of service for all county officers in Montana during the twenty-two-year period 1912 to 1934 averaged 4.86 years or approximately two terms. More than a third of all officers served two years or less in office and another third served between two and four years. Assessors averaged more terms in office than any other officers with about three terms, while commissioners averaged the least with but approximately one term.

IMPROVEMENT OF PERSONNEL

The preceding facts indicate that the majority of Montana county officers are not well qualified to handle the duties of their office. These officers, however, are entrusted with nearly \$30,000,000 of taxpayers' money annually, and these taxpayers have it in their power to secure higher standards for qualifications to hold these offices if they so desire. Is it not fair to assume that administrative efficiency would be increased considerably by raising the required qualifications and training to hold these offices?

These standards for qualifications to hold county office can be raised by action of state legislatures and the qualifications required can be stipulated in the law. However, such standards are not likely to be very high and by their very nature must be rather general in form. The present special qualifications required for the three offices of county

attorney, superintendent of schools, and surveyor are good examples of this. A more effective means of raising standards is to require all candidates for office to be examined by a state civil service commission. Grades given in such examinations could be based on a written examination, a record of experience and training, and, for some offices, a personal interview. Minimum passing grades could be established for each office and all candidates required to obtain such grades or better before being allowed to file their candidacy.

The arrangement above would help to insure properly qualified people for the county offices, but it would not eliminate the necessity of the officer's securing a favorable vote every other year as is now the case with all but two Montana county offices. The direct cost of elections every two years averages about a tenth of total county administrative costs in Montana. In addition to its expensiveness, is there any assurance that the best qualified and experienced will continue in office under this system?

Of course, the most far-reaching improvement in county government generally would be the adoption of a central executive plan of administration such as the county manager. But even under such a plan the appointment of the administrative personnel should be on a civil service test basis. However, until such a complete reorganization of county government is effected the feasibility of making less complete changes should not be overlooked. One such change is to increase the terms of office to at least four years where the terms are now only two years, and require all candidates for office to take a civil service examination.

EDITOR'S NOTE. Contribution from Montana State College, Agricultural Experiment Station, Paper No. 48, Journal Series.

More Libraries for City Halls

Effective publicity and support needed to bring a resurgence of the municipal reference library movement

HENRY REINING, JR.

Princeton University

1900: Charles McCarthy was hatching a new idea, a quick-action library. His "clipping bureau", at first gratuitously housed in the attic of the old Wisconsin State House, drew increasing patronage until in 1902 the legislators voted an appropriation making the library the first state legislative reference bureau in the United States. 1900: Carter H. Harrison, Jr., mayor of Chicago, persuaded the city council to vote a small sum for a bureau of statistics and municipal library. In 1913 this bureau became the Chicago Municipal Reference Library. Thus, a new century was ushered in and with it the "progressive" spirit which believed that government should be based on facts. The municipal reference library was one of the practical illustrations of this belief. It was a development spaced to a large extent in the half-decade between 1908 and 1913.

The municipal reference library movement illustrated also how the leadership of a few individuals gathered in a single organization can bring about a national contribution to progress. In November 1908, at the Pittsburgh meeting of the National Municipal League, Dr. McCarthy read a paper setting forth the municipal reference library idea. This paper had been prepared at the request of the League, primarily to be delivered to the American Library Association. There were no municipal reference

libraries as such in the United States at that time. For an example of the specific type of agency he was advocating, Dr. McCarthy had to refer to a German innovation. He cited the success of the central library bureau which Berlin had set up on April 1, 1906, to serve the *Stadetag* of that city. Why not apply to city government the legislative reference library idea which a number of states had been utilizing for some years?

In 1908 four cities in the United States had similar services, mainly as bureaus of municipal statistics—Baltimore, Boston, Chicago, and Milwaukee. The Baltimore bureau corresponded closely to the municipal reference library plan but it was then as it is now a service for both the state legislature and the city government. It had by this time had almost two years of success under Dr. Horace E. Flack, as portrayed by him in the paper which he read, also to the Pittsburgh meeting of the League.

As a result of these two papers, the National Municipal League appointed a committee on municipal libraries and archives, on which were represented state libraries, bureaus of municipal research, and political scientists. Dr. McCarthy was a member; Dr. Flack was made chairman. To the 1910 meeting in Buffalo, Dr. Flack reported for his committee that they had made a survey of public libraries in cities over

50,000 in population, as to the need for municipal reference services. The response was unanimously in the affirmative, as to the need. But only three cities were found with purely municipal reference libraries maintained at public expense—Baltimore, Milwaukee, and Kansas City. Minneapolis was found to have a municipal reference section in the public library; the finance committee in Boston, a bureau of municipal research; Newark, New Jersey, a politically-minded bureau of statistics and information. These agencies plus the bureau in Chicago, mentioned above, were the only attempts being made to meet the unanimous need. The committee concluded its report with a set of recommendations which became the standard qualifications for municipal reference libraries.

Copies of this report were sent to the mayors and public libraries of the larger cities of the United States with letters calling attention to the importance of the subject. In less than two years municipal reference libraries were set up in New York, Chicago, Philadelphia, St. Louis, Portland (Oregon), Oakland, and Toronto. The new libraries were organized in keeping with the recommendations of the committee, that is, they were placed under the supervision of the public library but located physically in the city hall, with trained, non-political librarians in charge. The Milwaukee ordinance also was amended during this period so as to conform with the committee's recommendations.

Dr. Earl W. Crecraft wrote an article for the second volume of the *NATIONAL MUNICIPAL REVIEW* which summarized the progress made up to 1913. During 1913 the activities of the League's committee comprised the writing of letters to the mayors of one hundred and twenty-five cities, enclosing Dr. Crecraft's article and emphasizing again the need for reference services. As a result,

by November 1913, the committee was able in its report to add to the list of municipal reference library cities, Cleveland, Cincinnati, and Pittsburgh, and note that similar work was being done in Grand Rapids, Michigan, and Fort Wayne, Indiana, as well as in Boston and Newark, already cited.

MOVEMENT LAGS

Dr. Flack left the chairmanship of the committee after 1914. Attention shifted to the need for a central clearing house for municipal reference libraries. The movement for city reference services slackened. Its impetus was entirely spent by 1917. Only two new units were opened up after the war. A municipal reference library was given space in the new city hall in Los Angeles in 1928; in 1929 the Queens Borough Public Library set up a short-lived business and municipal library.

Compared with the spread of the bureau of research, the municipal and state reference library movement has indeed waned. During the period from 1916 to 1930, within which there were established only one state and two city reference libraries, the privately-supported bureau of research had its greatest growth. Forty-eight municipal, county, state, and national bureaus were organized, as compared to fifteen established prior to 1916.¹

Now, is the governmentally supported reference library to be totally submersed, to give way to the privately organized bureau interested in governmental improvement? Such a conclusion would be unwarranted. In the first place, the municipal reference library and the bureau of municipal research are complementary rather than mutually exclusive. They serve different functions. Secondly, the municipal reference libraries have become well-nigh indispensable

¹Leonard D. White, *Trends in Public Administration*, New York, McGraw-Hill, 1933, p. 312.

to their patron cities.² The cities having municipal reference bureaus are the largest in the country; the eight largest cities in the United States all have municipal reference libraries. Thirdly, the failure of the city library bureaus to multiply in recent years can hardly be said to be due to any intrinsic shortcoming of the library plan itself. This failure may rather be explained as part of the general neglect of American cities to avail themselves of staff services of any variety.

ORGANIZATION

There have been twenty-one agencies in the United States, one in Canada, and one in Hawaii that may be classed as municipal reference libraries or equivalents. According to the standard form, the municipal reference library is organized as a branch of the public library but is located in the city hall. Without attempting to make categorical distinctions, it may be pointed out that several city reference collections are simply divisions of the public library, housed in the library building, Portland, Oregon, for example. Some are not segregated as service for city government alone but are arranged for a broader field and called "business and municipal branches" and are not located in the city hall. Minneapolis has such an arrangement. A few reference agencies are organized on an independent basis distinct from the public library system. Chicago's reference library is supervised by the city council; Toledo has a reference collection located in the office of the Commission of Publicity and Efficiency; and Baltimore has the Department of Legislative and Muni-

pal Information set up as a separate unit, although housed in the city hall. Cincinnati has two municipal reference offices, one in the city hall, the other in the University library. New York's Municipal Reference Library has a branch in the Public Health Department, outside the municipal building. Los Angeles has three municipal reference units: power and light, and public health branches in addition to the city hall office.

Internally, the typical municipal reference library is organized under the direction of a municipal reference librarian. An outstanding exception is the Cincinnati Municipal Reference Bureau which is under both a director furnished by the University of Cincinnati, a municipal university, and a librarian paid by the city. No such thing as a typical library exists so far as size of staff employed and the budget appropriated are concerned. The smaller libraries are operated by one person, the librarian; the largest reference library, that of New York City, has a staff of eleven persons. A common phenomenon is the part-time assistant. Budgets correspondingly vary from eighteen hundred to twenty-five thousand dollars; in fact, since the depression, some budgets are expressed in hundreds only.

The personnel employed in the municipal reference libraries in the United States are college people, library-trained and experienced. Salaries are comparatively low; the librarian gets as little as \$1575 and seldom as much as four thousand a year. Emphasis should be placed on the non-political character of municipal reference libraries.

ACTIVITIES AND FUNCTIONS

Now for the important question: what does the municipal reference library do? This question is worth asking for the answer is not nearly so obvious as it seems. Libraries, by definition,

²Not without battle, however. Citing only one of several examples: on January 1, 1916, the mayor and council of Oakland, California, abolished the city's reference library as "useless". So many protests poured in against this action that the first appropriation voted after the incident was money to continue the library.

store books. So do municipal reference libraries but the storing of books is neither the only nor the most important function of the reference bureau. At least half a dozen additional functions are characteristic of municipal reference service:

1. City reference libraries maintain classified collections of all sorts of materials relevant to city government; this is their original function. One may presume that the early collections were started by simply bringing together in one place all the books and papers that the library possessed on the subject of city government and administration. Today some of these collections have reached a tremendous size. Chicago boasts of more than 160,000 books and pamphlets in the municipal reference library; Milwaukee has approximately forty thousand pamphlets, six thousand books, and thousands of newspaper and periodical clippings; Los Angeles totals almost fifty thousand pieces in its three reference units.

The councilman, department head, junior clerk, women's club chairman, and citizen come in, consult the card catalog, ask questions of the librarian, and refer to a "Who's Who in Government", William B. Munro's "Government of American Cities", a treatise on epidemiology, a map of the city of fifty years ago, or scan all the newspaper comment on a current city controversy.

Special attention should be called to the transitory nature of much of the material in the municipal and administration field. It is here today but impossible to find tomorrow. The supposedly simple "library" job of the municipal bureau may be quite complicated and difficult. If no one is specifically designated to pick up these elusive materials as they issue from the printing presses, mimeographing machines and typewriters of the nation, they are apt

to be lost to the city for good so far as future reference is concerned.

2. A second function of the municipal reference library is to serve as the city's archives. Not only the publications of the city and all of its departments and divisions but those of its civic organizations, local history and biography, maps, pictures and charts of local interest, reports, proceedings, and special studies, even committee minutes and departmental audits are classified and filed away for safekeeping and future reference.

Certain specialized forms of records have found the municipal reference library especially useful as a depository. Who keeps up the city's ordinance file from day to day, with minute index and a detailed card file? The city clerk may perform the perfunctory and legal requirements; but this in many cases is mere record-keeping. It is the municipal reference library which has proved to be the place where the city officials and citizens can find ordinances by subject and as most lately amended. The statutes of the state legislature, bills pending during a current session, and other material of such character is made available in most of the municipal reference libraries.

Another labor-saving activity of the municipal reference libraries, that has been on occasion embarrassment-saving as well, is the handling of requests to read minutes of meetings, of the city council, city commissions, and other official bodies. If the reference library is recognized as the central depository then most of this type of activity can be handled by the library.

3. As the central depository for the city, the municipal reference library may very well act as the information bureau, intelligence unit and exchange agency for the city. The street cleaning division devises a new districting

plan of operation; a city engineer invents a new device for cleaning out catch basins; the city council passes a forward-looking ordinance regulating the sale of liquor. The nation outside the city wants to know about these innovations. Is the street cleaning division equipped to handle these requests? Probably it is not. The municipal reference library as the central archives is better able to handle almost any type of inquiry; it may even have a booklet struck off on a particular subject if the queries come in in very large numbers.

Any one city's papers, classified and made available by its municipal reference library, become a veritable gold mine of inexpensive, vicarious experience for other cities with similar problems. This feature of municipal reference was recognized early. Plank number six in the recommendations of the League's Committee on Municipal Libraries and Archives was that the municipal reference library be an agency for the exchange of municipal documents. The effort made from 1915 on to have established a national clearing house for municipal information, again stressed the significance of the exchange system, which is made possible only by the consolidation of all archives in one place in the city. Through exchange of information, progress made by one community becomes the potential progress of every other city, that is, if it has an agency equipped to handle the exchange of information.

4. Most municipal reference libraries act as an intelligence unit for citizens and citizens' groups. The recommendation of the League's committee stressed the point that though the reference services were to be performed primarily for the city official, great service could be rendered to citizens interested in their government, especially those citizens organized in social, civic, and

improvement associations, not to mention that all-too-pervasive influence ironically referred to as "the press".

Several municipal reference libraries make special efforts to serve students. The fullest development along this line apparently is to be found in Cincinnati, as one would expect from the close relationship between the Municipal Reference Bureau and the university. The university offices of the bureau serve students and faculty almost exclusively. In addition, students in training for the public service, many of them with jobs in the city government, use the reference bureau as a sort of headquarters in the city hall. Special attention in several of the municipal libraries is paid to the problems of the applicant for civil service examinations. Sample examinations are kept on file and made available on request, as is other material helpful to the prospective examinee.

Many of the municipal reference libraries do not wait for inquiries to come in but assume the initiative in getting materials disseminated among those persons who can profit from the materials. Periodicals constitute a special problem along this line because of the large number and the diversity of the professional, technical, and trade journals which are pertinent to the municipal field. These periodicals are more than just made available. The municipal reference library will call important articles to the attention of the persons known to be concerned. Most of the libraries clip periodicals as they do newspapers and file the clippings by subject. Abstracts of articles are prepared and circulated periodically. Other materials, especially those of pamphlet form, may be handled in the same way as periodical material. Bulletins of recent acquisitions and monthly check lists are not unusual publications. The Municipal Reference Library of Los

Angeles has a section to itself in the monthly magazine of the City Employees Association.

5. In a few cities the information and intelligence activity is followed through to its logical conclusion. The municipal reference bureau prepares the city's annual report. As the central depository of information, as the object of the questions of the citizens, the municipal reference library is in a good position to point out the year's achievements. Milwaukee has regularly used the reference library to compile the annual report of the city. The Municipal Year Book of the City of New York for 1915 and 1916 was compiled by Dr. C. C. Williamson, municipal reference librarian, in coöperation with the city departments and county officials. After a twenty year interval it appears that the municipal reference library is again preparing the year book, at the request of Mayor LaGuardia. Other examples might be cited.

6. The drafting of ordinances was naturally thought to be one of the primary activities of the municipal reference library, in keeping with the analogy of the state reference and bill drafting bureaus. The League committee included this work in its recommendations. Nevertheless, few of the city reference libraries today carry on this activity. The Baltimore department of reference does, no doubt because of the special combination of the state and city service there. Milwaukee reports not only a regular ordinance drafting service but also the rendering of assistance in drafting reports and communications that require a specific or special terminology. Cincinnati drafts ordinances on occasion when especially requested to do so. Chicago's librarian, a veteran of thirty years of municipal reference experience, also occasionally does drafting work.

FURTHER SERVICES

7. Proceeding further, we find services that the casual inquirer would hardly expect to find rendered by reference libraries. These are the services of compilation, investigation, and, yes, even research and consultation on matters of municipal policy. It is significant that among the recommendations of the League committee is the provision not only that the head of the library should be appointed on non-political, merit basis but also that the head should in addition to a liberal education have had special training in political science, economics, municipal government, and the methods of organization and administration. In keeping with the recommendations above the Milwaukee ordinance reorganizing the municipal reference department in 1911 provided that the librarian "shall be an expert in political science, political economy, and statistics". These qualifications certainly imply more than mere library work for the librarian. And such is found to be the fact. We find, for example, quoting from the 1934 report of the Cincinnati bureau, that for the five-year period from 1930 to 1934 annually from three to five thousand abstracts of material on municipal government were prepared and sent out, at the rate of several sets a month. A dozen or more exhaustive bibliographies have been prepared yearly to enable inquiring officials to know the extent of the available information on a particular subject, such as the care of transients, off-street parking of motor vehicles, etc., etc. Further, brief reports and statements of salient points have frequently been prepared on subjects too extensive to be quickly digested by busy officials.

CONCLUSIONS

The municipal reference library may not be a production unit but it does

produce savings that can be definitely as well as indeterminably valuable. Every bureau has its own favorite story of how one specific service of the library saved the city many times the library's annual appropriation.

Consequently our conclusion must be that the whole municipal reference library idea is in need of greater and more effective publicity and support. The users of the library do not have to be sold on its worth but the non-users do. The nature of the service of the municipal reference library is personal.

It is indirect so far as the results achieved are concerned. The library does not appear on the battle line to claim the medals that are passed out when the fighting is over. It cannot by its nature blow its own horn. So its friends must do the shouting. Strong language and constant reiteration is necessary to protect the libraries in existence and to encourage the installation of new ones. Publicity is needed so that there may be a resurgence of the municipal reference library movement.

SUPREME COURT LIMITS PUBLIC UTILITY VALUATIONS

(Continued from Page 443)

can be satisfactorily eliminated only if public functions are also organized publicly, doing away with private perversion, also with technical judicial decisions regarding public and private interest.

If the decision hastens the conversion of the present private utility systems under ineffectual public control to outright public organization, it will stand as a progressive measure, notwithstanding its immediately reactionary significance. For the moment, however, those interested in clarity and effectiveness of public policy and administration are

bound to feel deep disappointment. They may glean satisfaction from the minority opinion by Mr. Justice Stone, joined in by Justices Brandeis and Cardozo. This is an exceptionally clear and penetrating analysis, both with respect to fundamental law and economic actualities. It should have been the majority opinion, if only Chief Justice Hughes and Judge Roberts had adhered to progressive views which they had supported in other important decisions of a divided court. One must confess difficulty in reconciling the spirit and words of Chief Justice Hughes in the majority opinion in the Los Angeles Gas and Electric case in which Mr. Justice Roberts joined, with the present majority opinion written by Judge Roberts and joined in by Chief Justice Hughes.

LEAGUE'S BUSINESS

(Continued from Page 420)

American Association for Scientific Taxation, Inc.; Harold S. Buttenheim, Editor, *The American City Magazine*.

August 20.—"Who Gets the Tax Money?" John N. Edy, Assistant Budget Director of the United States.

August 27.—"Processing Tax." William Hard, Publicist.

September 3.—"Sales Tax—Pro and Con." Henry F. Long, Commissioner of Corporations and Taxation, Massachusetts; and Daniel Bloomfield, Manager, Retail Trade Board of Boston.

September 10.—"Federal Taxation and Business Recovery." Frank R. Kent, Vice President, *The Baltimore Sun*.

* * *

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Howard P. Jones, *Secretary*

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THE LEAGUE'S BUSINESS

The League's Convention.—A significant program is being planned for the League's annual conference, to be held this year in Providence, November 25 and 26. If you haven't already done so, *set those dates aside* on your calendar. You will want to be there. Next month's REVIEW will carry the program.

* * *

New Radio Broadcasts Devoted to Planning.—YOU AND YOUR GOVERNMENT radio broadcasts, series XII, will be devoted to the timely subject "Planning." The American Planning and Civic Association is coöperating with the Committee on Civic Education by Radio and the National Municipal League in their presentation. The new series will be on the air over a nation-wide network of the National Broadcasting Company each Tuesday evening at 7.45 eastern standard time, beginning October 1. Copies of the entire program may be secured without charge from the National Municipal League, which will also continue to publish each broadcast on its presentation. The broadcasts may be secured from the League at fifteen cents each, the entire series at two dollars.

The remaining broadcasts in Series XI of YOU AND YOUR GOVERNMENT programs on "Taxation for Prosperity," together with the first programs on "Planning," are given below:

September 17—"Coördinated Tax Administration." John G. Winant, former Governor of New Hampshire; Chairman, Social Security Board.

September 24—"Harmonizing the Tax System." Fred R. Fairchild, Professor of Political Economy, Yale University.

October 1—"A Plan for the Nation." Frederic A. Delano, Chairman, National Resources Board, and President, American Planning and Civic Association.

October 8—"Limitations of Planning." David P. Barrows, Professor and Former President, University of California.

October 15—"The Best Use of the Land." M. L. Wilson, Chairman, Land Planning Committee, National Resources Board.

October 22—"The Economic Value of American Scenery." Horace M. Albright, Former Director, National Park Service, and Second Vice-President, American Planning and Civic Association.

October 29—"Head Waters and Other Little Waters." Morris Llewellyn Cooke, Administrator, Rural Electrification Administration.

* * *

New Honors for Our President.—Dr. Harold W. Dodds, the League's President and President of Princeton University, has recently been elected a director of the Prudential Insurance Company of America.

* * *

Citizens' Council Section.—Plans are developing for the organization of a Citizens' Council Section of the National Municipal League, in which will be federated citizens' councils and other local citizen groups throughout the country.

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An Appreciated Bouquet.—Professor J. T. Salter, professor of political science at the University of Wisconsin, and author of "Boss Rule," has recently written us that: "This summer I have about thirty students studying city government, and we are using the charter of the National Municipal League, and next fall I plan to use the REVIEW in connection with my municipal government course. If a teacher tries to keep in touch with what is going on in the municipal field, I do not see how he can get along without your most excellent REVIEW."

HOWARD P. JONES, *Secretary*